

THE BUSINESS REVIEW

THIRD FEDERAL
PHILADELPHIA



RESERVE DISTRICT
JULY 1, 1940

FEDERAL RESERVE BANK OF PHILADELPHIA

JUL 10 1940

UNIVERSITY OF ILLINOIS

Business and Banking Conditions in the United States

Industrial activity increased considerably in May and the first half of June, while prices of commodities and securities declined sharply in the middle of May and fluctuated near the lower levels after that time. Distribution of commodities to consumers was maintained at levels prevailing earlier this year.

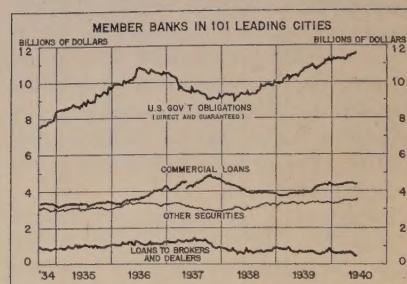
Production. Volume of industrial production increased in May and the Board's seasonally adjusted index advanced from 102 to 105. The rise in May reflected chiefly sharp increases in activity at steel mills and woolen mills. Steel production in May was at about 71 per cent of capacity, as compared with 60 in April, and by the third week of June activity had risen further to 88 per cent. Lumber production also increased. In the automobile industry, where output had been at a high rate in the first four months of the year, dealers' stocks were in large volume and production was curtailed in May and the first half of June.

Retail sales of automobiles continued at a high level during most of May, although in the middle of the month a temporary sharp reduction was reported.

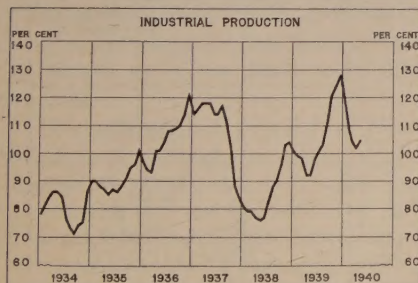
In the woolen textile industry activity in May rose sharply from the low level reached in April. At cotton mills activity was maintained at about the rate prevailing in March and April and was somewhat lower than in the early months of the year. Rayon production continued large, while mill takings of raw silk declined to the lowest level in nearly twenty years. In other industries producing nondurable manufactures activity generally showed little change from April to May.

Coal production in May continued at a high level for this time of the year, reflecting in part increased exports and unusually large shipments of coal to Upper Lake ports. Iron ore shipments down the Lakes were also large for this season. Petroleum production in May declined somewhat from the high rate maintained in March and April.

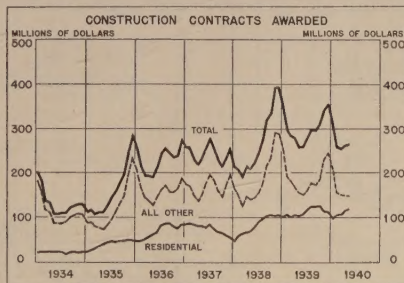
Value of construction contract awards increased further in May, according to figures of the F. W. Dodge Corporation, reflecting principally continued growth of private building. Private residential contracts rose to the highest level in the past ten years. Awards for commercial buildings advanced somewhat further while those for factory construction continued at about the level reached in April. Both were considerably larger than a year



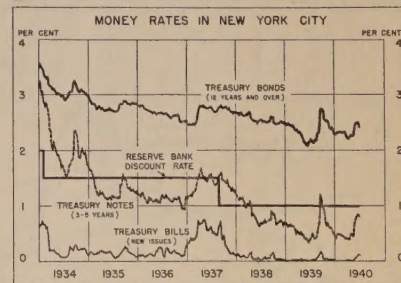
Wednesday figures, September 5, 1934, to June 12, 1940. Commercial loans based on new classification beginning May 19, 1937.



Index of physical volume of production, adjusted for seasonal variations, 1923-1925 average=100. By months, January 1934 to May 1940.



Three-month moving averages of F. W. Dodge Corporation data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for March and April and estimate for May.



For weeks ending January 6, 1934, to June 15, 1940.

ago. Contracts for public construction increased slightly in May but were about one-sixth lower than a year earlier.

Distribution. Department store sales in May declined from the level prevailing in the past three months, while sales at variety stores and mail-order houses were largely maintained at earlier levels. In the first week of June department store sales increased considerably.

Volume of railroad freight traffic increased in May, reflecting larger shipments of miscellaneous merchandise, coal, and forest products. Loadings of grains declined.

Foreign trade. Total exports of United States merchandise showed little change from April to May. Increases were reported in shipments to Canada and Australia and to Italy and Finland, while exports to other European nations showed declines. Exports of industrial machinery in May declined somewhat from the high level

reached in April, while exports of steel, copper, chemicals, and commercial vehicles increased, following declines in the previous month. Coal shipments, largely to Canada, rose to the highest level in recent years. Cotton exports continued to decline from the high level of last winter.

The monetary gold stock of the United States increased by \$439,000,000 in May and by \$250,000,000 in the first two weeks of June.

Commodity prices. Following a general decline in basic commodity prices around the middle of May, prices of industrial materials, particularly steel scrap, zinc, tin, and wool, advanced and by the middle of June were in some instances above the levels of early May. Raw cotton prices also increased, and in the second week of June prices of cotton gray goods likewise advanced as sales of these goods were in exceptionally large volume. Prices of a

number of foodstuffs continued to decline.

Bank credit. Total loans and investments at reporting member banks in 101 leading cities showed little net change during the four weeks ending June 5. Holdings of United States Government obligations increased further at New York City banks, while loans to security brokers and dealers declined considerably. Deposits and reserves of member banks continued to increase sharply as a result mainly of heavy gold imports.

Government security market. Prices of Government securities held relatively steady during the latter part of May and the first part of June, after a reaction at the time of the invasion of Belgium and Holland. Subsequently prices increased sharply, and on June 15 the yield on the 1960-1965 bonds was 2.40 per cent, compared with 2.52 per cent on June 10 and 2.26 per cent at this year's peak in prices on April 2.

Business and Banking Conditions in the Philadelphia Federal Reserve District

Industrial and trade activity in the Third Federal Reserve District has improved, despite unsettling foreign developments. Industrial buyers in many important lines are placing larger volumes of orders, production for foreign delivery continues substantial, and the domestic armament program appears to be getting under way at plants in this district. Prices of manufactured goods are generally firm.

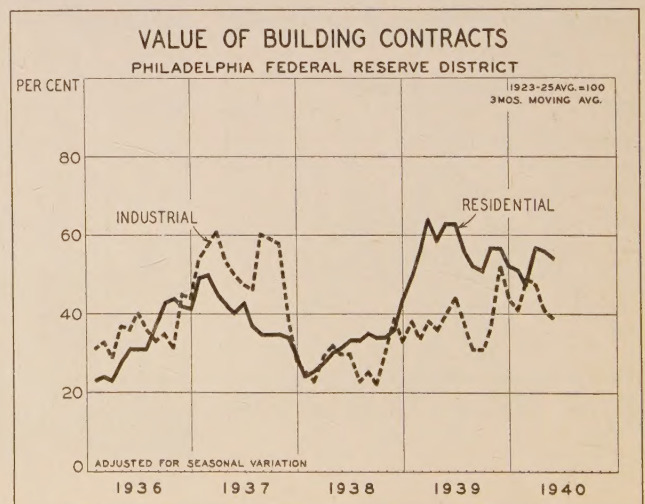
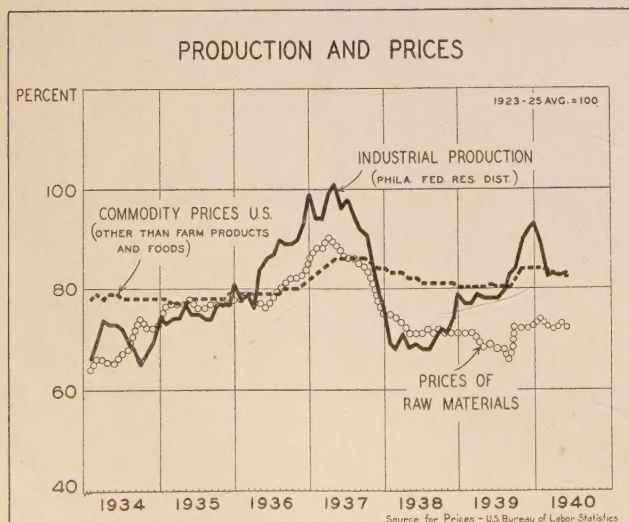
Industrial production advanced slightly from April to May and in the first five months averaged 8 per cent

above the corresponding period a year ago. Manufacturing activity in the month continued at the April level, but production of coal advanced and crude oil increased more than was to be expected, owing in part to foreign demand. Construction activity again expanded more than usual but was below the unusually high level prevailing a year ago.

General industrial employment was sustained from April to May and payrolls advanced. Small declines in manufacturing industries in the month

were offset by increases in mining, construction, and services. Preliminary reports indicate improvement in factory employment and wage payments in June. Both employment and payrolls continue well above the levels of early 1939.

Retail trade sales increased more than usual from April to May, and the volume of business at wholesale expanded, following a moderately dull spring season. Early reports for June indicate that business has continued active. Sales at both types of distribut-



Business Indicators Philadelphia Federal Reserve District

ing establishments are somewhat above a year ago. Stocks of goods showed little change in the latest month but are also somewhat larger than in 1939.

Price movements have been highly confused by foreign developments. Quotations on industrial materials have been generally firm since early May, while agricultural prices have declined.

Manufacturing. Demand for goods manufactured in this district shows improvement, although conditions abroad have had an unsettling effect upon domestic industry. Part of the confusion is due to uncertainty with respect to the disposal of substantial orders from France, Italy, and other European nations to which shipments cannot now be sent. More fundamental is renewed doubt as to the nature and duration of the war, with attending widespread effects upon markets for American industrial and agricultural products.

The outlook for productive activity still appears favorable. Substantial industrial buying, especially in the steel industry and certain lines of textiles, has already been stimulated by the possibility of delayed deliveries later in the year when much plant capacity is expected to be absorbed in production for national defense. Production on orders from belligerents and neutrals continues large. Prices of most manufactured goods continue firm at levels above last year. Marked increases have been reported in quotations on some textiles.

The volume of unfilled orders at factories in this district has shown little change recently, but some expansion in unfinished work has occurred in the steel industry. Except in textiles and building materials, backlogs appear larger than a year ago.

Inventories of finished goods at producing plants have shown small increases, except at textile mills. Supplies of raw materials have increased at steel mills and declined somewhat in textile plants. Other lines report little change.

Employment and payrolls at Pennsylvania factories, according to preliminary reports, showed some improvement between the middle of May and the middle of June, especially in the steel industry. From April to May employment declined about 1 per cent, while payrolls were sustained.

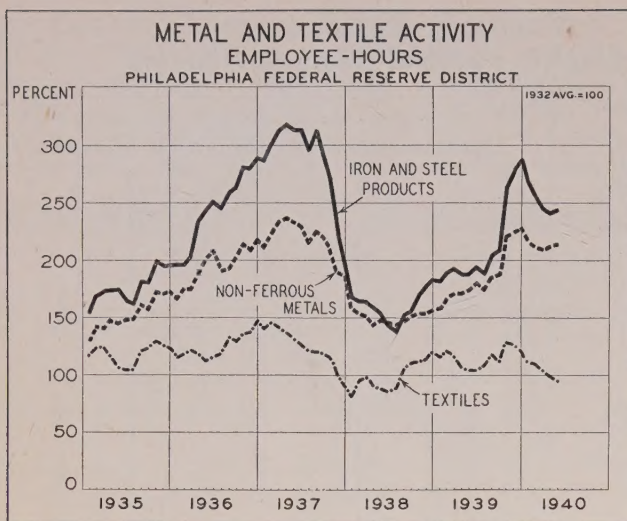
The total number of factory wage earners in Pennsylvania in May, after having declined for six consecutive months, was estimated at 878,600 or

Adjusted indexes allow for the usual seasonal change in activity.	Index numbers: percentages of the 1923-1925 average as 100											
	Adjusted for seasonal variation						Not adjusted					
	May 1939	Mar 1940	Apr. 1940	May 1940	Per cent change			May 1939	Mar. 1940	Apr. 1940	May 1940	
					May 1940 from		1940 from 5 mos. 1939					
					Month ago	Year ago						
Unadjusted indexes reflect merely the actual change which may or may not be typical.												
Industrial production	78	83	82	83p	+ 1	+ 7	+ 8	77	82	81	82p	
Manufacturing—total	75	81	81	81p	+ 0	+ 9	+ 9	74r	81	80	80p	
Durable goods	64r	81	84	84p	- 0	+ 31	+ 31					
Consumers' goods	83	81	80	79p	- 0	- 4	- 3					
Metal products	64	83	86	86	+ 0	+ 35	+ 38	64r	85	84	86	
Textile products	73	70	68	64p	- 6	- 12	- 10	70	73	65	62p	
Transportation equipment	74	93	95	99	+ 4	+ 34	+ 34	77	99	100	103	
Food products	82	78	79	82p	+ 4	- 1	+ 2	80	77	76	80p	
Tobacco and products	106	105	108	114	+ 5	+ 8	+ 8	103	96	99	111	
Building materials	33	40	42	39p	- 6	+ 20	+ 10	34	35	41	41p	
Chemicals and products	108	129	122	124p	+ 1	+ 14	+ 13	110	129	124	126p	
Leather and products	116	106	99	104p	+ 5	- 10	- 8	105	109	98	95p	
Paper and printing	87	87	88	90	+ 3	+ 3	+ 3	88	88	89	91	
Coal mining	69	66	56	59p	+ 6	- 14	- 6	68	57	57	58p	
Anthracite	73	66	54	57p	+ 6	- 22	- 10	73	55	56	57p	
Bituminous	33	69	74	77	+ 5	**	**	30	70	67	70	
Crude oil	423	417	433	445	+ 3	+ 5	+ 4	440	426	446	463	
Electric power												
Output	268	270	285	288	+ 1	+ 8	+ 8	249	275	279	268	
Sales, total	252	271	270	274	+ 2	+ 9	+ 10	242	268	278	263	
Sales to industries†	166	189	185	183	- 1	+ 10	+ 9	170	179	187	186	
Employment and wages—Pa.												
Factory—Wage earners					- 1*	+ 6*	+ 9*	79r	87	85	84	
Payrolls					- 0*	+ 16*	+ 18*	68r	81	79	79	
Man-hours (1927-28=100)					- 1*	+ 20*	+ 22*	65r	80	78	77	
General (1932=100)												
Employment					+ 0*	+ 7*	+ 7*	102r	111	110r	110	
Payrolls					+ 2*	+ 16*	+ 14*	133r	153	151	154	
Building and real estate												
Contracts awarded†—total	75r	63	65	66	+ 2	- 13	- 7	72	55	62	63	
Residential†	63r	57	56	54	- 4	- 15	- 9	67	43	52	57	
Nonresidential†	58r	44	52	47	- 9	- 18	- 22	61	44	53	50	
Public works and utilities†	160r	125	121	158	+ 31	- 1	+ 18	112	114	111	111	
Permits for building—17 cities	25	25	16	27	+ 70	+ 9	+ 12	28	32	23	30	
Real estate deeds—Philadelphia†	49	52	49	54	+ 10	+ 11	+ 17	47	49	48	52	
Writs for Sheriff sales—Phila.	277	226	236	289	+ 23	+ 4	- 6	291	231	248	303	
Distribution												
Retail trade—sales	78	79	72	81p	+ 12	+ 4	+ 1	81	79	74	84p	
stocks	75	80	79	79p	+ 0	+ 5	+ 5	75	82	81	79p	
Wholesale trade—sales					+ 10*	+ 6*	+ 5*					
stocks					- 0*	+ 3*						
Life insurance sales	77	86	79	84	+ 7	+ 9	- 2	82	95	88	90	
New passenger auto. registrations					+ 9*	+ 33*	+ 37*	123	149	150	164	
Hotels—Occupancy (1934=100)					- 1*	+ 10*	+ 5*	118	119	132	130p	
Income, total (1934=100)					- 5*	+ 12*	+ 3*	122	129	145	137p	
Freight-car loadings—total	55	68	66	70	+ 6	+ 23	+ 21	56	63	63	72	
Merchandise and miscellaneous	58	66	65	69	+ 6	+ 18	+ 16	61	64	66	72	
Coal	49	70	69	71	+ 4	+ 46	+ 30	45	67	62	66	
Business liquidations												
Number					- 28*	- 31*	- 14*	108r	80	104	74	
Amount of liabilities					- 27*	+ 5*	- 31*	30	21	43	31	
Payment of accounts												
Check payments	88	93	86	91	+ 6	+ 4	+ 9	87	91	87	90	
Rate of collections (actual)												
Retail trade	32	32	33	32	- 3	+ 1		33	32	33	33	
Prices—United States												
Wholesale (1926=100)					- 0*	+ 3*	+ 3*	76	78	79	78	
Farm products					- 2*	+ 7*	+ 5*	64	68	69	68	
Food					- 0*	+ 5*	+ 2*	68	70	72	71	
Other commodities					- 0*	+ 2*	+ 3*	81	83	82	82	
Retail food					+ 1*	+ 3*	+ 1*	76	77	78	79	
Philadelphia					+ 1*	+ 0*	- 1*	79	77	79	79	
Scranton					+ 1*	+ 2*	+ 2*	75	75	76	76	

(In millions of dollars)	May 1939	Feb. 1940	Mar. 1940	Apr. 1940	May 1940	% change from	
						Month ago	Year ago
Banking and credit							
Federal Reserve Bank							
Bills discounted.....	\$0.3	\$0.6	\$0.3	\$0.2	\$0.1	-50	-67
Other bills and securities.....	210	206	206	200	200	0	- 5
Member bank reserves.....	466	602	611	683	697	+ 2	+50
Reserve ratio (per cent).....	78.3	82.3	82.9	83.9	84.2	+ 0	+ 8
Reporting member banks							
Loans.....	\$399	\$419	\$427	\$437	\$446	+ 2	+12
Investments.....	690	747	726	719	723	+ 1	+ 5
Bankers' acceptances outstanding.....	8.2	9.5	9.7	9.5	9.2	- 3	+12

* Computed from data unadjusted for seasonal variation.
† 3-month moving daily average centered at 3rd month.
‡ Not included in production index.

p—Preliminary. r—Revised.
** Strike last year.



about 6 per cent more than in May 1939. Wage disbursements amounted to approximately \$21,350,000 a week or 16 per cent more than a year earlier.

The decline in employment in the month was chiefly at plants producing such consumers' goods as textiles, clothing, and shoes. Particularly large decreases were reported in the case of men's clothing and furnishings, carpets and rugs, cotton goods, hosiery, and other knit goods. Activity at plants manufacturing capital goods was well maintained, especially in the iron and steel industry, where employment and payrolls advanced somewhat instead of showing the customary seasonal decline. The gains were chiefly at steel works and rolling mills, forges, and machine shops, reflecting the improvement in general business and needs for heavy capital equipment.

Weekly earnings of factory workers in Pennsylvania increased by the middle of May to \$26.13, the highest level since January. Hourly earnings advanced slightly for the third consecutive month and at nearly 72 cents approximated the peak reached in the summer of 1937. Average working time continued at about 36½ hours a week.

At Delaware factories employment in May was about the same as a month earlier, while wage disbursements declined. In southern New Jersey employment advanced 2 per cent in May and payrolls were expanded 5 per cent. At both Delaware and New Jersey factories the number of employees and the volume of wage payments were considerably larger than a year ago.

Manufacturing activity in this district in May continued at about the

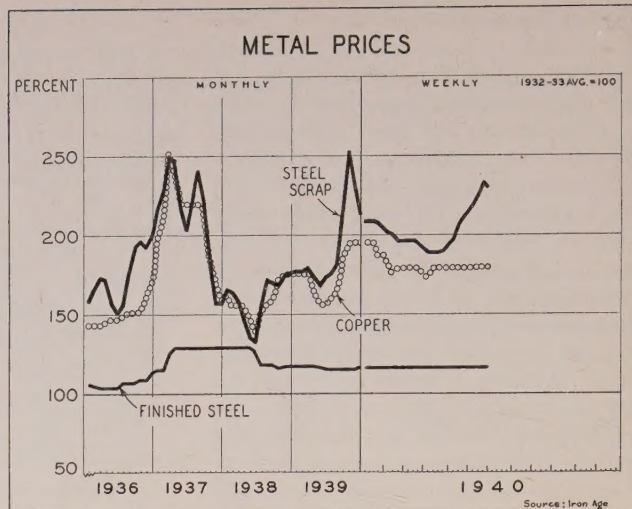
April level. Improvement in the output of transportation equipment, paper, and food, tobacco, and leather products was largely offset by declines in textile products and building materials. Other major lines advanced about seasonally. In the output of individual products, the sharpest increases were in refined sugar, pig iron, woolens and worsteds, and automobile bodies and parts, while marked declines were reported for cement, carpets and rugs, and underwear.

Production of capital goods at the levels in May and in the first five months this year was over 30 per cent above the corresponding periods in 1939, while the output of consumers' goods continued below a year ago.

Output and total sales of electric power improved in May, but sales to industry declined slightly more than was to be expected. Both output and sales were above a year earlier.

Coal and other fuels. Demand for fuel continues active. Retail dealers have been buying anthracite to replenish stocks which were reduced considerably this spring. Foreign demand has also been heavy; exports of coal and coke from the United States in the first five months of the year were valued at \$29,800,000 as against only \$14,900,000 a year earlier.

Output of anthracite increased in May for the third successive month, averaging 152,100 tons a day, as against 149,800 in April and 145,100 in March. Some further gains were in evidence in early June. Production in the first five months of 1940, however, was about 10 per cent less than a year earlier, when demand was



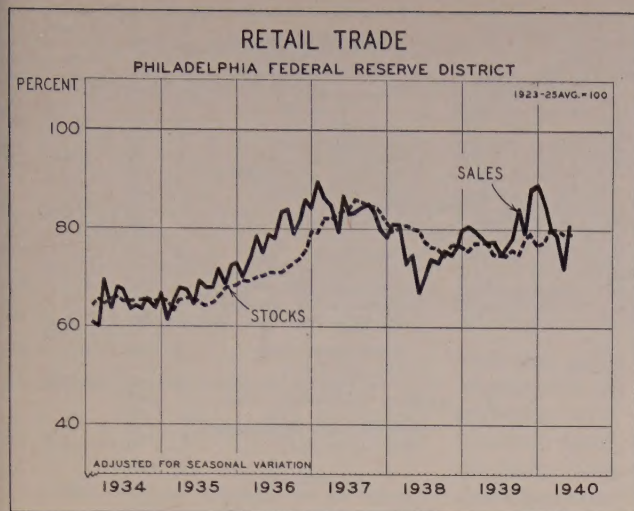
stimulated sharply by the six weeks' suspension of operations in bituminous mines.

Industrial demand for Pennsylvania bituminous coal has improved since early June, and production has increased further. Output expanded instead of showing the customary decline in May and in the first five months of this year was the largest for the period since 1937.

Output of by-product coke increased somewhat in May, owing to sharp advances in activity at steel mills during the second half of the month. The production of gas and fuel oils increased slightly from April to May and was well above the volume of a year earlier. Operations at both coke ovens and oil refineries were at substantially higher rates in the first five months this year than last.

Building. Construction activity in this district in May again exceeded seasonal expectations, owing partly to continued expansion in operations on family houses.

The value of new contracts awarded, however, declined 12 per cent from April to \$15,400,000 and was 26 per cent less than the unusually large total reported in May 1939. The decrease in the month reflected substantially smaller awards for all classes of construction except family dwellings and commercial buildings, which increased 9 and 10 per cent respectively. Contracts for houses in May were the largest for that month since 1929. Increases over a year ago also were reported in awards for commercial buildings, factories, and unclassified structures, but these gains were more than offset by sharp declines in contracts for



public works and utilities, educational buildings, and apartments and hotels.

Building contracts Philadelphia Federal Reserve District	May 1940 (000's omitted)	Per cent change	
		From month ago	1940 from 5 mos. 1939
Residential	\$ 6,477	- 7	-14
Apts. and hotels.....	385	-71	-36
Family houses.....	6,092	+ 9	- 5
Nonresidential	4,612	-23	-13
Commercial.....	1,585	+10	+ 8
Factories.....	1,065	-31	+12
Educational.....	678	-35	- 9
All other.....	1,284	-35	-36
Total buildings.....	\$11,089	-14	-14
Public works and utilities	4,319	- 7	+15
Grand total.....	\$15,408	-12	- 6

Source: F. W. Dodge Corporation.

Contracts awarded in the first five months of 1940 approximated \$74,000,000, as against \$79,000,000 in the same period last year and the 1936-38 average of \$66,500,000. The only increases over 1939 occurred in contracts for factories, commercial buildings, and public works and utilities.

Agriculture. Growing conditions for crops and pastures in this district have improved further since the middle of June. Farm work was delayed by heavy rains early in the month, but planting, spraying, and other seasonal operations are again progressing normally. A shortage of farm labor has appeared in a few sections.

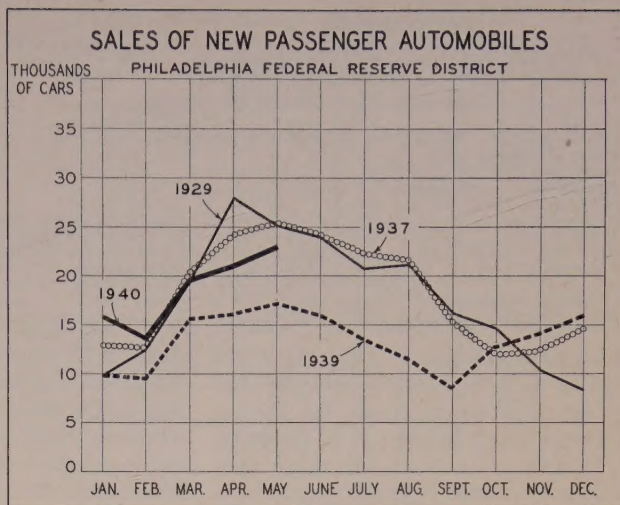
The condition of grains, potatoes, and truck crops is about average for this time of the year. Much of the tobacco has been transplanted and is developing satisfactorily. The outlook for orchard fruits generally continues favorable. Early estimates indicate that the peach and cherry crops will be somewhat larger than in 1939 and the

production of pears slightly smaller. A large volume of berries has been marketed and the bulk of the crop was of high quality.

The outlook for the marketing of agricultural commodities produced in this district is somewhat uncertain, owing to rapidly changing factors affecting price levels. Cash income from the sale of crops and livestock products in Pennsylvania, New Jersey, and Delaware in the first four months this year was 4 per cent larger than in 1939.

Distribution, trade, and service. Retail trade sales improved substantially in May and were maintained at high levels in early June, after having failed to meet seasonal expectations in the first four months of the year. Aggregate sales by reporting stores in this district increased 12 per cent more than usual in May, the largest advance on an adjusted basis being in sales of durable consumers' goods. Sales of seasonable men's apparel and shoes also expanded as weather conditions improved. In the case of women's specialty shops, only a small decline was reported instead of the customary sharp contraction. Sales by department stores increased 9 per cent more than usual in the month.

Compared with a year ago sales by reporting stores showed an increase of 4 per cent, reflecting chiefly gains at credit and department stores. The volume of business at shoe and men's apparel stores was about the same as last year, while a decline occurred at women's specialty shops. In the first five months total sales averaged only about 1 per cent more than in the same period of 1939.



Stocks of goods at retail establishments showed the usual small seasonal decline from April to May but at the end of the month were still 5 per cent larger than last year.

Wholesale trade sales expanded 10 per cent from April to May, the principal advances being at establishments dealing in shoes, electrical supplies, and jewelry. Compared with last year sales by primary distributors were 6 per cent larger in May, the only material declines being in drugs and dry goods. During the first five months of 1940 wholesale trade sales averaged 5 per cent above a year earlier. Stocks at wholesale establishments were unchanged from April to May but were 3 per cent larger than in May 1939.

Freight-car loadings in the Allegheny District increased 6 per cent more than seasonally from April to May and were well sustained in early June. Gains were especially large in shipments of ore and coke, reflecting expanding activity at steel mills. Less than carlot shipments and the movement of coal increased somewhat more than usual, and miscellaneous loadings advanced sharply. Shipments of forest products increased about seasonally, but the movement of grain and livestock failed to equal expectations.

Retail sales of automobiles were moderately well sustained in May and continued substantially above the level of a year ago. Dealers' stocks of both new and used cars are at comparatively high levels.

Income of nonresort hotels in this district decreased 5 per cent from April to May but was 12 per cent above a year ago.

Hotel business Philadelphia Federal Reserve District	May, per cent change from		1940 from 5 mos. 1939
	Month ago	Year ago	
Capacity.....	0	- 0	.....
Room occupancy.....	- 1	+10	+5
Per cent of capacity used:			
May 1940.....	57.2		
April 1940.....	57.9		
May 1939.....	51.9		
Revenue from:			
Guest rooms.....	+ 0	+12	+3
Food.....	- 5	+17	+5
Other sources.....	-14	+ 6	+1
Total revenue.....	- 5	+12	+3

Banking conditions. Deposits at reporting banks have declined somewhat in the past month from the record levels of May, largely as a result of a decrease in deposits of states and local governments. Loans and investments, however, increased further, the most significant change being a renewed upward movement in commercial loans, which are now nearly 16 per cent higher than a year ago.

An expansion of 34 per cent in the reserves of member banks in this district in the past year corresponded closely with a gain of 36 per cent in the national figures. The district total of \$668,000,000 on June 19, however, was \$32,000,000 lower than a month ago, payments from balances of banks in Philadelphia being more than sufficient to offset a rise in reserves of country banks to a new high point. Averages covering the first half of June show that reserves of these two groups of banks were respectively 115 and 95 per cent above requirements.

Member bank reserves (Dollar figures in millions)	Held	Re- quired	Ex- cess	Ratio of excess to re- quired
Philadelphia banks:				
1940: May 1-15	\$520.4	\$226.3	\$294.1	130%
May 16-31	503.9	225.5	278.4	123 "
June 1-15	473.9	220.5	253.4	115 "
1939: June 1-15	337.8	186.8	151.0	81 "
Country banks:				
1940: May 1-15	185.8	95.8	90.0	94 "
May 16-31	185.2	96.3	88.9	92 "
June 1-15	189.5	97.2	92.3	95 "
1939: June 1-15	153.8	94.7	59.1	62 "

The contraction in reserve balances in the past four weeks has been due principally to a loss of about \$18,000,000 in commercial and financial transactions with other districts, which reflected payments made in the redemption of locally-issued securities. Funds available to the local market were also reduced through net Treasury receipts of approximately \$11,000,000 and an increase of over \$7,000,000 in the

Federal Reserve Bank of Philadelphia (Dollar figures in millions)	June 19, 1940	Changes in—	
		Four weeks	One year
Bills discounted.....	\$ 0.1	+\$ 0.0	— \$0.3
Bills bought.....	0	0	— 0.1
Industrial advances.....	2.6	— 0.1	+ 0.1
U. S. securities.....	197.5	— 0.3	— 9.4
Total.....	\$200.2	— \$0.4	— \$9.7
Note circulation.....	354.4	+ 6.7	+ 41.4
Member bank deposits.....	668.0	— 32.1	+169.1
U. S. general account.....	27.2	+ 1.8	— 18.3
Foreign bank deposits.....	64.7	+20.1	+ 30.3
Other deposits.....	18.0	— 0.4	+ 13.2
Total reserves.....	949.2	— 8.6	+239.1
Reserve ratio.....	83.8%	—0.5%	+4.6%

demand for currency, which was definitely heavier than in the corresponding period last year. The excess of Treasury receipts over local disbursements resulted chiefly from quarterly installments on income taxes, although railroad payments under the Social Security laws and repayments of funds borrowed by local housing authorities also helped to swell the total of receipts. Among the more substantial items of Treasury outgo were work relief, interest on debt, PWA funds, and payments to industrial concerns in this section.

Borrowings of member banks remained around \$100,000, and industrial advances of the reserve bank were in about the same volume as a month and a year ago. Holdings of government securities declined slightly, as a result of small sales from the System Open Market Account.

Deposits at reporting member banks in this district declined \$26,000,000 in the four weeks ended June 19 to \$1,764,000,000. State and local government balances were down considerably as a result of the redemption of maturing securities, and interbank deposits were off moderately, while deposits of individuals and business concerns increased. Deposits are about one-quarter of a billion dollars larger than a year ago. Over the twelve months the proportion of total assets in

Reporting member banks (000,000's omitted)	June 19, 1940	Changes in—	
		Four weeks	One year
Assets			
Commercial loans.....	\$ 215	+\$ 6*	+\$29
Open market paper.....	30	— 1	+ 6
Loans to brokers, etc.....	22	— 4	+ 2
Other loans to carry secur. . .	32	— 1	0
Loans on real estate.....	50	0	+ 3
Loans to banks.....	1	0	0
Other loans.....	102	+ 6*	+ 13
Total loans.....	\$ 452	+\$ 6	+\$53
Government securities.....	\$ 353	— \$ 2	+\$16
Obligations fully guaranteed	91	0	— 11
Other securities.....	284	+ 4	+ 26
Total investments.....	\$ 728	+\$ 2	+\$31
Total loans & investments	\$1,180	+\$ 8	+\$84
Reserve with F. R. Bank...	494	— 37	.....
Cash in vault.....	20	0	.....
Balances with other banks...	221	+ 6	.....
Other assets—net.....	79	— 4	.....
Liabilities			
Demand deposits, adjusted	\$1,017	—\$16	.....
Time deposits.....	261	— 1	.....
U. S. Government deposits.....	54	0	.....
Interbank deposits.....	432	— 9	.....
Borrowings.....	.....	0	.....
Other liabilities.....	15	0	.....
Capital account.....	215	— 1	.....

* Revised.

the form of cash, cash items, reserves, and balances with correspondents has increased from 34 to 39 per cent.

Outstanding credit of the reporting banks increased by an additional \$8,000,000 in the latest period to \$1,180,000,000. Increases of \$6,000,000 each in commercial loans and in loans not separately classified in the reports were only partly offset by a decline of \$5,000,000 in loans to purchase or carry securities and a small decline in open market paper. In the current volume of \$215,000,000, commercial loans are at the highest point since the fall of 1937 and are \$24,000,000 above the low point of 1940.

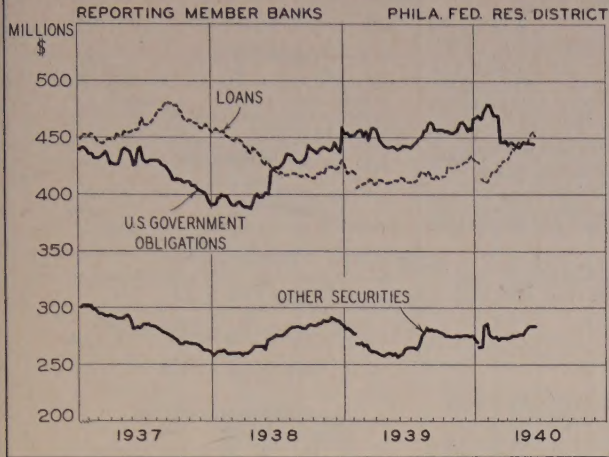
An increase of \$2,000,000 in the investment portfolio in the past four weeks has been due to the purchase of corporate and municipal securities. Holdings of fully guaranteed obligations were unchanged, and the investment in direct issues of the United States Government declined slightly.

MEMBER BANK RESERVES AND RELATED FACTORS

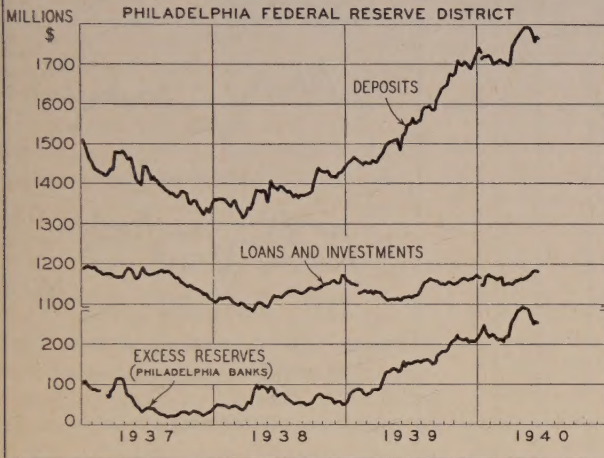
Philadelphia Federal Reserve District (Millions of dollars)	Changes in weeks ending—				Changes in four weeks*
	May 29	June 5	June 12	June 19	
Sources of funds:					
Reserve bank credit extended in district.....	— 0.1	+ 1.6	+ 0.5	+ 3.6	+ 5.6
Commercial transfers (chiefly interdistrict).....	—23.7	— 8.5	+ 0.7	+12.9	—18.6
Treasury operations.....	— 6.9	— 1.1	+16.0	—19.1	—11.1
Total.....	—30.7	— 8.0	+17.2	— 2.6	—24.1
Uses of funds:					
Currency demand.....	+ 6.1	+ 0.2	+ 3.0	— 1.8	+ 7.5
Member bank reserve deposits.....	—34.9	— 7.3	+10.2	— 0.1	—32.1
"Other deposits" at reserve bank.....	— 1.8	— 0.9	+ 4.0	— 1.7	— 0.4
Other Federal Reserve accounts.....	— 0.1	— 0.0	— 0.0	+ 1.0	+ 0.9
Total.....	—30.7	— 8.0	+17.2	— 2.6	—24.1

* Preliminary.

LOANS AND INVESTMENTS



REPORTING MEMBER BANKS



Percentage change—May 1940 from May 1939

City areas*	Manufacturing		Building permits (value)	Debits	Retail trade sales
	Employment	Wage payments			
Allentown.....	+12	+20	- 52	+10	+ 3
Altoona.....	+17	+36	- 0	+17	+ 8
Harrisburg.....	+13	+27	+ 12	+ 6	+10
Johnstown.....	+29	+38	+ 61	+22	+29
Lancaster.....	+ 1	+ 3	+165	+ 8	+ 4
Philadelphia.....	+ 2	+ 9	- 49	+ 2	+ 3
Reading.....	- 2	+ 1	+ 24	+ 9	+11
Scranton.....	- 7	+ 4	+427	- 0	- 0
Trenton.....	+14	+28	+117	- 7	+ 8
Wilkes-Barre.....	+13	+26	+510	+16	- 1
Williamsport.....	+ 8	+ 8	- 28	+20	.....
Wilmington.....	+ 7	+14	+780	+20	+ 1
York.....	+ 9	+16	+462	+12	+ 7

May 1940 from April 1940

Allentown.....	- 1	- 0	+ 15	- 1	+ 5
Altoona.....	- 2	-12	+ 10	+10	+20
Harrisburg.....	- 0	+ 1	+301	- 9	+17
Johnstown.....	- 1	+ 0	+ 55	+ 4	+21
Lancaster.....	- 3	- 2	- 31	-10	+30
Philadelphia.....	- 3	- 2	- 13	+ 5	+11
Reading.....	- 3	- 3	- 37	+ 9	+13
Scranton.....	- 2	+ 4	+ 45	+ 9	+19
Trenton.....	+ 0	+ 4	+ 44	+ 5	+14
Wilkes-Barre.....	- 2	+ 3	+1052	+ 6	+ 9
Williamsport.....	- 1	+ 1	- 2	+ 9	.....
Wilmington.....	- 0	- 2	+131	- 9	+27
York.....	+ 4	+ 7	- 5	+ 1	+14

* Area not restricted to the corporate limits of cities given here.

Employment and Payrolls in Pennsylvania

(All figures are rounded from original data)

Manufacturing Indexes

	Employment*			Payrolls*			Employee-hours†	
	May 1940 index	Per cent change from		May 1940 index	Per cent change from		May 1940—per cent change from	
		April 1940	May 1939		April 1940	May 1939	April 1940	May 1939
All manufacturing.....	84	-1	+ 6	79	- 0	+16	- 1	+20
Iron, steel and prods....	80	+0	+18	97	+ 1	+30	+ 1	+29
Non-fer. metal prods....	123	+1	+16	150	+ 1	+23	+ 1	+23
Transportation equip....	58	-2	+15	60	- 5	+18	- 6	+38
Textiles and clothing....	84	-5	- 8	72	- 7	- 7	- 6	- 9
Textiles.....	78	-4	-10	68	- 5	-10	- 4	- 9
Clothing.....	106	-8	- 1	92	-13	+ 4	-13	- 7
Food products.....	102	+1	+ 0	111	+ 4	+ 3	+ 3	+ 2
Stone, clay and glass....	75	-3	+11	75	- 2	+18	- 3	+20
Lumber products.....	56	+8	+ 2	51	+ 8	+ 4	+ 6	+ 8
Chemicals and prods....	94	+0	+12	105	+ 1	+19	+ 1	+30
Leather and products....	80	-8	- 5	68	- 6	- 3	- 7	- 4
Paper and printing....	99	+1	+ 2	106	+ 2	+ 7	+ 2	+ 6
Printing.....	90	+0	- 2	98	+ 2	+ 3	+ 1	+ 1
Others:								
Cigars and tobacco....	63	+1	+ 8	57	+ 4	+15	+ 4	+16
Rubber tires, goods....	80	+2	+ 2	91	+ 6	+ 1	+ 5	- 0
Musical instruments....	66	+2	+11	67	+ 3	+35	+ 3	+31

* Figures from 2,444 plants.

† Figures from 2,202 plants.

General Index Numbers

Covering twelve branches of trade and industry

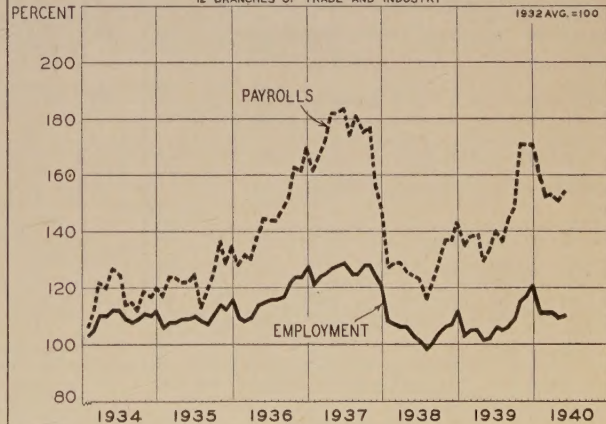
	Employment			Payrolls		
	May 1940 index	Per cent change from		May 1940 index	Per cent change from	
		April 1940	May 1939		April 1940	May 1939
General index (weighted)....	110	+ 0	+ 7	154	+ 2	+16
Manufacturing.....	131	- 1	+ 6	193	- 0	+16
Anthracite mining.....	68	+ 1	- 1	68	+10	-30
Bituminous coal mining....	104	- 0	*	192	+ 6	*
Building and construction....	53	+14	- 7	76	+21	- 2
Quarrying and non-met. mining	116	+ 9	+17	226	+21	+31
Crude petroleum producing...	131	- 0	- 1	160	- 1	+ 5
Public utilities.....	97	+ 1	+ 4	109	+ 0	+ 5
Retail trade.....	107	+ 3	+ 3	128	+ 3	+ 5
Wholesale trade.....	117	- 2	+ 3	123	- 1	+ 6
Hotels.....	105	+ 0	- 5	123	- 0	+ 1
Laundries.....	104	+ 2	+ 7	139	+ 6	+ 7
Dyeing and cleaning.....	107	+ 7	+ 3	147	+15	+ 6

* Strike last year.

INDUSTRIAL EMPLOYMENT AND PAYROLLS

PENNSYLVANIA

12 BRANCHES OF TRADE AND INDUSTRY



Index numbers of individual lines of trade and manufactures

Philadelphia Federal Reserve District

	Index numbers: percentages of the 1923-1925 average as 100										
	Adjusted for seasonal variation						Not adjusted				
	May 1939	Mar. 1940	Apr. 1940	May 1940	Per cent change			May 1939	Mar. 1940	Apr. 1940	May 1940
					May 1940 from		1940 from 5 mos. 1939				
					Month ago	Year ago					
Adjusted indexes allow for the usual seasonal change in activity.											
Unadjusted indexes reflect merely the actual change which may or may not be typical.											
Retail trade											
Sales											
Total of all stores.....	78	79	72	81p	+12	+ 4	+ 1	81	79	74	84p
Department.....	71	71	68	74	+ 9	+ 5	+ 3	71r	69	65	74
Men's apparel.....	74r	75	66	74p	+11	- 1	+ 2	71r	71	60	71p
Women's apparel.....	96r	84	81	93	+14	- 4	- 5	96	102	96	92
Shoe.....	80	94	70	81p	+15	+ 1	- 6	104	103	80	105p
Credit.....	84	94	82	94	+16	+12	+ 3	93	86	88	104
Stocks of goods											
Total of all stores.....	75	80	79	79p	+ 0	+ 5	.....	75	82	81	79p
Department.....	52	54	53	54	+ 2	+ 4	.....	52	55	55	54
Women's apparel.....	100	102	99	98	- 1	- 2	.....	100	111	99	98
Shoe.....	69	74	73	72	- 2	+ 4	.....	73	77	78	76
Credit.....	96	107	106	107	+ 1	+11	.....	92	111	108	103
Rate of stock turnover											
5 months (on annual basis).....							+ 0*	4.13			4.14
Wholesale trade											
Sales											
Total of all lines.....					+10*	+ 6*	+ 5*				
Boots and shoes.....					+53*	+ 9*	- 4*				
Drugs.....					- 4*	- 6*	- 1*				
Dry goods.....					+ 9*	- 6*	- 0*				
Electrical supplies.....					+31*	+17*	+18*				
Groceries.....					+ 1*	- 1*	- 1*				
Hardware.....					+ 6*	+10*	+13*				
Jewelry.....					+27*	+33*	+16*				
Paper.....					+ 2*	+24*	+13*				
Stocks of goods											
Total of all lines.....					- 0*	+ 3*					
Dry goods.....					- 2*	-11*					
Electrical supplies.....					+ 5*	+19*					
Groceries.....					- 2*	- 0*					
Hardware.....					+ 0*	+17*					
Jewelry.....					+ 1*	+16*					
Paper.....					- 2*	+ 0*					
Output of manufactures											
Pig iron.....	38	69	61	72	+19	+92	+ 84	39	80	69	75
Steel.....	57r	73	74	76	+ 3	+33	+35	60r	79	77	80
Iron castings.....	50	66	72	70	- 2	+42	+46	52	69	75	73
Steel castings.....	72	68	84	80	- 4	+12	+16	75	77	85	84
Electrical apparatus.....	84	109	117	112	- 4	+34	+41	77	101	102	103
Motor vehicles.....	17	15	11	12	+ 3	-30	-12	21	16	14	15
Automobile parts and bodies.....	58	67	68	74	+ 8	+27	+24	61	73	74	78
Locomotives and cars.....	19	40	35	36	+ 2	+85	+131	19	43	37	35
Shipbuilding.....	335	443	470	478	+ 2	+43	+40	345	461	480	493
Silk manufactures.....	76	70	70	70	0	- 8	-14	73	73	69	67
Woolen and worsteds.....	55	51r	48	52	+ 8	- 6	- 6	52r	49r	45r	49
Cotton products.....	43	45	42	41	- 4	- 5	- 7	42	48	44	40
Carpets and rugs.....	106	120	114	92	-19	-13	- 5	102	119	107	89
Hosiery.....	95	80	79	76	- 4	-20	-18	95	83	79	76
Underwear.....	139	137	142r	127	-11	- 8	+ 1	140	150	140	129
Cement.....	48	67	67	58p	-14	+22	+ 5	54	52	67	66p
Brick.....	25	38	38	35	- 6	+45	+26	26	37	39r	38
Lumber and products.....	28	26	29	29	+ 3	+ 5	+10	26	24	27	27
Bread and bakery products.....					+ 4*	- 5*	- 0*	94	89	86	90
Slaughtering, meat packing.....	104	100	111	105	- 5	+ 2	+ 5	103	96	109	105
Sugar refining.....	57	51	41	60	+45	+ 6	-14	70	78	54	74
Canning and preserving.....	67	65	69	72p	+ 4	+ 8	+12	51	57	58	59p
Cigars.....	105	104	107	113	+ 5	+ 8	+10	101	95	98	110
Paper and wood pulp.....	71	75	76	80	+ 6	+14	+11	71	77	77r	80
Printing and publishing.....	90	89	90	92	+ 2	+ 1	+ 2	91	91	92	93
Shoes.....	126	120	102	108	+ 6	-15	-12	115	128	102	98
Leather, goat and kid.....	105r	92	97	100p	+ 3	- 5	- 1	96	91	94	91p
Explosives.....	72	98	92	95	+ 3	+32	+31	73	98	93	96
Paints and varnishes.....	78	81	79	80	+ 2	+ 2	+ 6	83	83	83	85
Petroleum products.....	151	172	161	161p	+ 0	+ 7	+ 8	151	170	160	161p
Coke, by-product.....	69	118	118	122	+ 3	+77	+39	71	123	123	126

* Computed from data unadjusted for seasonal variation.

p—Preliminary.

r—Revised.

